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Person To Contact: , ID No.
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Legend

Taxpayer =

Assets =

Business =

Shareholder =

State =

Dear :

This is in response to your March 8, 2012, letter requesting rulings on certain federal income tax consequences of the Proposed Transaction described below. The material information provided in that letter and in subsequent correspondence is summarized below.

The rulings contained in this letter are based on information and representations submitted on behalf of Taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the information submitted in support of the request for ruling, it is subject to verification on examination.

SUMMARY OF FACTS

Taxpayer is a privately held State corporation engaged in Business and the common parent of an affiliated group of corporations that files a consolidated federal income tax return. Taxpayer and the other members of the Taxpayer consolidated group are accrual method taxpayers.

Taxpayer has one class of voting common stock outstanding (the "Voting Common Stock") and currently pays regular periodic dividends on the Voting Common Stock. Taxpayer also has authorized one class of non-voting common stock and one class of preferred stock, none of which is issued and outstanding. Taxpayer periodically provides selected employees with the opportunity to purchase for cash shares of Voting Common Stock. Holders of the Voting Common Stock also have the right, from time to time and at Taxpayer's board of director's discretion, to cause Taxpayer to purchase all or a portion of the Voting Common Stock. Pursuant to Taxpayer's existing certificate of incorporation, all sales of Voting Common Stock by or to Taxpayer are undertaken at a formula price, determined annually, and based on the total book value of Taxpayer's assets, subject to certain adjustments for Taxpayer property, plant, and equipment (the "Formula Price"). There are no outstanding options or warrants to purchase Taxpayer stock.

All of Taxpayer's Voting Common Stock is held of record by Shareholder on behalf of the beneficial owners of such stock. The beneficial owners of such stock must be employees or directors of Taxpayer or certain controlled entities of such persons. References in this ruling to shareholders of Taxpayer (other than Shareholder) are references to the beneficial owners of Taxpayer stock.

PROPOSED TRANSACTION

In order to reduce the Formula Price of the Voting Common Stock, and thereby reduce the cost to employees purchasing Taxpayer equity, Taxpayer proposes to amend its certificate of incorporation in order to authorize two new classes of common stock (the "Amendment"). Pursuant to the Amendment, a new class of voting common stock (the "Voting T Stock") will be authorized and, when issued, will track the economic performance of certain working capital assets held by various subsidiaries of Taxpayer (the "T Assets").

Additionally, pursuant to the Amendment, the Voting Common Stock will be renamed the "Voting C Stock" and, until the consummation of the Recapitalization (as defined below), will have rights substantially identical to the Voting Common Stock. Upon the consummation of the Recapitalization, the Voting C Stock will track the economic performance of all of the assets and liabilities of Taxpayer other than the T Assets (such assets and liabilities, the "C Assets"). After the Amendment, Taxpayer will effect a pro rata redemption of shares of Voting Common Stock for newly issued shares of Voting T Stock (the "Recapitalization"). The Voting Common Stock will, after the issuance of the

Voting T Stock, track only the economic performance of the C Assets rather than all of Taxpayer's assets. Like the Voting Common Stock (and the Voting C Stock), the Voting T Stock will be held of record by Shareholder on behalf of the beneficial owners of such stock. After the Recapitalization, Taxpayer expects to continue to pay regular periodic dividends on the Voting C Stock and does not expect to pay dividends on the Voting T Stock.

The T Assets will be designated by Taxpayer's board of directors prior to the Recapitalization. The working capital reflected in the T Assets will initially consist of, but will not be restricted to, interests in a fund, owned by Taxpayer's various subsidiaries but controlled and managed by Taxpayer, which invests in Assets. The Formula Price of the Voting T Stock will be based upon the fair market value of the T Assets as determined in good faith by Taxpayer's board of directors. Following the Recapitalization, the T Assets will continue to be comingled with the C Assets in each subsidiary and held by the same subsidiaries that always held such assets. The T Assets will not be transferred to a separate subsidiary. All creditors of Taxpayer and its subsidiaries will continue to have recourse to all of Taxpayer's assets regardless of whether such assets are C Assets or a T Assets.

Each outstanding share of Voting C Stock and Voting T Stock will be entitled to one vote, and holders of the Voting C Stock and the Voting T Stock will generally vote as one class with respect to all matters to be voted on by Taxpayer's shareholders, except as required by State law.

Upon liquidation, the Voting C Stock and Voting T Stock will not have any priority over any other class of Taxpayer stock. After the satisfaction of the creditors of Taxpayer and any series of Taxpayer preferred stock, if any, holders of the Voting C Stock and Voting T Stock will be entitled to the value then attributable to the C Assets or T Assets respectively.

Holders of the Voting C Stock will have the option to cause Taxpayer to repurchase such stock at its Formula Price, except to the extent Taxpayer's board of directors determines that the Formula Price is likely to be less than the Formula Price determined at the end of the prior fiscal year less the aggregate amount of dividends declared on the Voting C Stock since the end of the prior fiscal year through the board of director's determination. Holders of the Voting T Stock will have the option to cause Taxpayer to repurchase such stock at its Formula Price at any time beginning one year after the issuance of such stock, except to the extent Taxpayer's board of directors determines that it is not in the best interests of Taxpayer to allow repurchases of the Voting T Stock at such time.

An employee will be required to sell all of his or her Voting C Stock or Voting T Stock to Taxpayer following the employee's death, retirement, or termination of employment with Taxpayer at the Formula Price of such shares.

An employee who is offered the opportunity to purchase additional shares of Voting C Stock may exchange Voting T Stock for Voting C Stock in a value for value exchange based upon the Formula Price of each such class of stock at the time of the exchange. As of any such exchange, a portion of the T Assets with a value equal to the aggregate Formula Price attributable to the Voting T Stock exchanged for the Voting C Stock will be redesignated as C Assets.

REPRESENTATIONS

Taxpayer makes the following representations in connection with the Proposed Transaction:

- (a) The fair market value of the stock received in the Recapitalization, along with any cash received in lieu of fractional shares, will equal the fair market value of the stock surrendered in the Recapitalization.
- (b) The Recapitalization will be a single, isolated transaction and will not be part of a plan to periodically increase the proportionate interest of any shareholder in the assets or earnings and profits of Taxpayer.
- (c) Taxpayer has no plan or intention, other than pursuant to its rights and obligations under its certificate of incorporation, to redeem or otherwise acquire any of the stock issued in the Recapitalization.
- (d) There will not be outstanding at the time of the Recapitalization any Taxpayer stock options, warrants, convertible securities, or any other type of right pursuant to which any person could acquire any stock in Taxpayer from Taxpayer.
- (e) Taxpayer and its shareholders will each pay their own expenses, if any, incurred in the Recapitalization.
- (f) Taxpayer will not be under the jurisdiction of a court in a title 11 or similar case within the meaning of Section 368(a)(3)(A) at the time of the Recapitalization.
- (g) The Voting Common Stock, the Voting C Stock, and the Voting T Stock will each constitute stock of Taxpayer for federal income tax purposes.
- (h) The Voting Common Stock is not "Section 306 stock" within the meaning of Section 306(c).

RULINGS

Based solely on the information submitted and the representations made above, we rule as follows:

- (1) The Recapitalization will qualify as a reorganization within the meaning of Section 368(a)(1)(E). Taxpayer will be “a party to a reorganization” within the meaning of Section 368(b).
- (2) Taxpayer will recognize no gain or loss as a result of the Recapitalization. Section 1032(a).
- (3) Shareholders of Taxpayer will recognize no gain or loss as a result of the Recapitalization other than in respect of cash paid in lieu of fractional shares. Section 354(a)(1).
- (4) The basis of the Voting C Stock and Voting T Stock to be received by shareholders of Taxpayer in the Recapitalization, including any fractional shares deemed received, will be the same as the basis of the Voting Common Stock surrendered in exchange therefor, allocated in proportion to the relative fair market value of each in accordance with § 358(a)(1) and Treas. Reg. § 1.358-2(a)(2). Section 358(b)(1).
- (5) Provided that the Voting Common Stock surrendered was held as a capital asset on the date of the Recapitalization, the holding period of the Voting C Stock and Voting T Stock to be received by shareholders of Taxpayer in the Recapitalization will include the period during which the Voting Common Stock surrendered was held. Section 1223(1).
- (6) Neither the Voting C Stock nor the Voting T Stock will be “Section 306 stock” within the meaning of § 306(c).
- (7) The Recapitalization, as described above, will not be treated as a distribution of property to which § 301 applies by reason of the application of § 305(b) and (c).
- (8) A repurchase of the Voting T Stock by Taxpayer will not result in gross income to the holders of the Voting C Stock under § 305(b) or (c).

CAVEATS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

PROCEDURAL STATEMENT

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by

attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the power of attorney on file in this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Isaac W. Zimbalist
Senior Technician Reviewer, Branch 5
Office of Associate Chief Counsel (Corporate)

cc: